

VZCZCXRO3145
PP RUEHMA RUEHPA
DE RUEHUJA #1582 2400536
ZNR UUUUU ZZH

P 280536Z AUG 09
FM AMEMBASSY ABUJA
TO RUEHC/SECSTATE WASHDC PRIORITY 6907
INFO RUEHOS/AMCONSUL LAGOS PRIORITY 1873
RUEHJO/AMCONSUL JOHANNESBURG 0085
RUEHZK/ECOWAS COLLECTIVE
RHEBAAA/DEPT OF ENERGY WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RUCPDOC/DEPT OF COMMERCE WASHDC

UNCLAS ABUJA 001582

SENSITIVE
SIPDIS

JOHANNESBURG FOR NAGY
DEPT OF ENERGY FOR PERSON, HAYLOCK
DEPT OF TREASURY FOR PETERS AND HALL
DEPT PASS TO USTR-AGAMA; USTDA-MARIN; EXIM-RICHTER
DEPT PASS USAID AFR/SD FOR CURTIS AND ATWOOD
USDA FOR FAS/OTP MCKENZIE
DOC FOR 3317/ITA/OA/KBURRESS AND 3130/USFC/OIO/ANESA/CREED

E.O. 12598: N/A

TAGS: [ENRG](#) [EPET](#) [ECON](#) [EINV](#) [PGOV](#) [EAID](#) [NI](#)

SUBJECT: THE POWER HOLDING COMPANY OF NIGERIA CLAIMS PROJECTED POWER GROWTH THREATENED BY INSECURITY IN THE DELTA

REF:

- [IA.](#) 08 ABUJA 2264
- [IB.](#) 08 ABUJA 1930
- [IC.](#) 08 ABUJA 1311
- [ID.](#) 07 ABUJA 1582

SENSITIVE BUT UNCLASSIFIED - NOT TO BE DISTRIBUTED OUTSIDE USG

[11.](#) (SBU) Summary: The Power Holding Company of Nigeria claims that its plan to increase electricity supply to 6,000 megawatts by December 31 is threatened by the disruption of natural gas feedstock due primarily to militant activities in the Niger Delta. End Summary.

Gas for Power Production Remains the Achilles' Heel

- - - - -

[12.](#) (SBU) On August 14, EconOff met with the Power Holding Company of Nigeria (PHCN) Managing Director and Chief Executive Officer Hussein Saidu Labo to discuss the progress of Nigeria's strategic plan to rehabilitate the nation's electricity sector to increase its supply to a minimum of 6,000 megawatts (MW) by December 31, 2009, and 11,540 MW by December 31, 2011. The first phase of the plan provides for maintenance and repair of existing power plants neglected for years. The plan also upgrades and expands the transmission system currently rated for only 4,000 MW. (Refs A, C and D).

[13.](#) (SBU) Labo reported that although his goal remains meeting the targeted production by the said dates, the process continues to be challenging. He lamented that the lack of a sustained supply of natural gas to power plants continues to be a problem due to insecurity in the Niger Delta. He added that apart from security challenges, he has no control over the Nigerian Gas Company, a subsidiary of the Nigerian National Petroleum Corporation (NNPC) that provides feedstock to his power plants.

[14.](#) (SBU) As part of its strategy, Nigeria has mandated its joint venture partners to deliver specified gas volumes to the PHCN, National Integrated Power Project (NIPP)-, and joint venture power plants, but the infrastructure is still in its planning and early implementation phase. Nigeria's Gas Master Plan (GMP) calls for increasing its current 700 million standard cubic feet per day (mmscf/d) capacity to an estimated 6,000-10,000 mmcfd by 2010. (Ref B). A network of three pipelines and associated gas gathering/processing stations are planned under the GMP and are

expected to be built through a variety of private-public partnerships.

¶ 15. (SBU) Labo claimed that militant activities continue to hamper the current existing Escravos Lagos Pipeline System (ELPS). He reported that on August 13 the National Gas Company notified Egbin, AES, and Delta, all existing state owned power plants, to shut-down operation because a common gas feeder pipeline was breached, allegedly by militant activity. (Note: the Delta power plant returned to operation on August 14. Egbin and AES power plants switched to emergency operation using high pour fuel oil feedstock and are producing only 157 MW, a fraction of the 857 MW they produce using natural gas. End Note). Labo added that even if all plants were to return to full operation, they cannot produce the targeted demand because of insufficient gas supply. Also affected by gas supply limitations due to militant disruptions and other technical problems are the Sapele, Geregu, Omotosho and Papalanto (Olorunsogo) power plants.

¶ 16. (SBU) Comment: While security-related natural gas supply disruptions are clearly a problem, weak infrastructure and poor maintenance are much bigger challenges that Nigeria has to overcome if it is to meet projected power supply and distribution targets.
End Comment.

¶ 17. (U) This cable was coordinated with Consulate Lagos.

MCCULLOUGH